



California Board of Accountancy
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**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE
 JANUARY 18, 2018
 CBA MEETING**

**California Board of Accountancy
 2450 Venture Oaks Way, Suite 420
 Sacramento, CA 95833
 Telephone: (916) 263-3680**

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Michael M. Savoy, CPA, called the meeting to order at 11:52 a.m. on Thursday, January 18, 2018 at the California Board of Accountancy. The CBA recessed at 12:03 p.m. for a lunch break until 1:30 p.m. The CBA reconvened from 1:30 p.m. until 3:40 p.m. The CBA convened into closed session at 3:45 p.m. until 4:50 p.m. The meeting reconvened into open session at 4:52 p.m. President Savoy adjourned the meeting at 4:54 p.m.

CBA Members

Michael M. Savoy, CPA, President
 George Famalett, CPA, Vice-President
 Mark Silverman, Esq. Secretary/Treasurer
 Alicia Berhow
 Jose A. Campos, CPA
 Karriann Farrell Hinds, Esq.
 Dan Jacobson, Esq.
 Xochitl León
 Luz Molina Lopez
 Carola Nicholson, CPA
 Jian Ou-Yang, CPA
 Sunny Youngsun Park, Esq.
 Deidre Robinson
 Katrina L. Salazar, CPA
 Kathleen Wright, CPA

January 18, 2018

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 3:45 p.m. to 4:54 p.m.
 11:52 a.m. to 4:54 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Christopher Castrillo, DCA, Deputy Director, Office of Board and Bureau Services
Rich Andres, Information Technology (IT) Staff
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, DCA
Angela Contreras, Executive Assistant
Dominic Franzella, Chief, Enforcement Division
Paul Fisher, CPA, Enforcement Manager
Ashley Heebner, Enforcement Manager
Shelly Jones, DCA, Board and Bureau Relations Manager
Nooshin Movassaghi, Legislative Analyst
Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services
Rebecca Reed, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Ben Simcox, CPA, Deputy Chief, Enforcement Division
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Melissa Winchell, Enforcement Manager

Committee Chairs and Members

Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)
Nancy Corrigan, CPA, Vice-Chair, Enforcement Advisory Committee (EAC)

Other Participants

Dean Andal, The Accountants Coalition
Debby Carrol, Academic & Credential Records Evaluation & Verification Service (ACREVS)
Wayne Carrol, ACREVS
Jason Fox, California Society of CPAs (CalCPA)
Linda McCrone, CPA, CalCPA
Shanker Munshani, ACREVS
Pilar Oñate-Quintana, The Oñate Group
Anna Randall, Center for Public Interest Law
Jon Ross, KP Public Affairs

I. Report of the President.

A. Report of the Leadership Roundtable Meeting Regarding Leadership Responsibilities and the California Board of Accountancy Activities for 2018.

President Savoy reported that at the Leadership Roundtable meeting, CBA Leadership reviewed the planned meeting topics for 2018. He also stated that staff provided an overview of its 2018 project list, which included operational improvements, informational technology upgrades, and outreach. He stated that priorities for 2018 include developing the Sunset Review Report, exploring the issue of legalized marijuana and exploring an interim solution to accept

credit card payments prior to the implementation of the Business Modernization Project.

B. Report of the January 18, 2018 Chair/Vice-Chair Training.

President Savoy stated that he relayed his expectations for the role of the committee chairs and vice-chairs. He stated that Ms. Butu provided an overview of how to conduct a meeting in accordance with the Bagley-Keene Open Meeting Act and Ms. Bowers provided an overview of CBA staff roles and responsibilities to support CBA and Committee meetings.

C. Discussion and Possible Action on Proposed Legislation to Amend Business and Professions Code (BPC) Section 5058.2. to Allow the Holder of an Inactive License Who is a Member of the California State Legislature or the United States Congress and is not Engaged in the Practice of Public Accountancy as Defined in Section 5051 to be Exempt from this Requirement.

Ms. Bowers stated that the purpose of this item was to provide the CBA the opportunity to discuss a proposed amendment to the statutory language in Business and Professions Code section 5058.2. She stated the proposed amendment would allow inactive CPAs serving as current members of the California State Legislature or the United States Congress an exemption from placing the term “inactive” after their CPA title or designation. She stated that the proposed language clarifies that the member may not engage in the practice of public accountancy while their license is inactive.

Ms. Bowers stated that at the September 2017 CBA meeting, members were asked to consider participation in Legislative or Congressional hearings as satisfying CBA’s CE requirements. The CBA elected not to move forward with the proposal. She stated that recently the Senate Business, Professions, and Economic Development (Senate B&P) Committee staff requested the topic be brought back before the CBA to explore an alternative solution for CPAs who are current members of the Legislature or Congress and that the Senate B&P staff expressed a willingness to work with the CBA in pursuing a legislative solution via an omnibus bill.

Ms. Bowers stated that given the fact the Senate B&P Committee will likely move forward with a legislative solution if no action is taken by the CBA, staff recommend that the CBA approve the proposed language to amend BPC section 5058.2 and direct staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a legislative bill.

President Savoy stated that the proposal states that if a Legislator or Congressman is exempt from putting the designation “inactive” immediately after their CPA designation, they must not engage in the practice of public accountancy.

Mr. Jacobson stated that this exemption is misleading to the public to say that somebody is ineligible to practice public accountancy, but still retains the CPA designation.

Mr. Campos stated that when previously discussing this issue, the CBA stated that if a bill was authored by the Legislature, similar to the exemption for lawyers who serve in the Legislature, then the CBA might be in support of that bill. He stated that inactive CPAs using this exemption would still need to complete their renewal application and indicate that they are inactive and are being exempt from the inactive designation just during the time that they serve as an elected official.

Ms. Hinds stated that the point of having the retired status or inactive status is so the public knows what their designation is. She stated that the proposal is removing the designation and she would be more comfortable with a bill that changed the CE requirements so that they encapsulated more of the responsibilities that the Legislators engage in.

Ms. Bowers stated that when staff was contacted by the Senate B&P Committee, it requested staff to put this item back on the agenda and come up with a solution to the concerns that were raised at the September 2017 CBA meeting and something that the CBA would support. She stated that as a result, this is what staff proposed.

Ms. Hinds requested staff to look at a legislation that would expand the definition of continuing education to include legislative activities that would qualify as CE credit.

It was moved by Ms. Berhow and seconded by Mr. Silverman to approve language to amend BPC section 5058.2 to allow an exemption to current members of the Legislature or Congress, who renew their CPA license in an inactive status, from placing the term “inactive” after their CPA title or designation and directed staff to seek inclusion in a 2018 omnibus bill, or if necessary, seek an author to carry a legislative bill.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Nicholson, Ms. Park, Mr. Savoy, and Mr. Silverman.

No: Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Robinson, and Ms. Wright.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar.

- D. Discussion and Possible Action Regarding the Ongoing Role of the Mobility Stakeholder Group.

Mr. Bone stated that the purpose of this item is to provide the CBA the opportunity to discuss the ongoing role of the Mobility Stakeholder Group (MSG). He stated that at the September 2017 meeting, the MSG recommended that its functions and responsibilities continue, but in a framework and structure to be determined later by the CBA. The CBA approved this recommendation.

Mr. Bone stated that the MSG's functions and structure should include continued monitoring of other states' enforcement programs and the authority to recommend statutory or regulatory changes.

Mr. Bone stated the CBA may also wish to consider the MSG's meeting frequency and reporting requirements or whether to appoint a new advisory committee to carry out certain goals specified by the CBA.

Mr. Campos inquired if staff considered disbursing the duties and functions among other committees.

Mr. Bone stated that staff determined that maintaining the existing structure and authority of the MSG was appropriate.

It was moved by Ms. Hinds and seconded by Ms. Robinson to:

- **Maintain the current authority and responsibility of the MSG to help ensure consumer protection and direct it to make recommendations to the CBA regarding the MSG's activities, that would effectively monitor the CBA's mobility program;**
- **Rather than appoint a new committee, maintain the current structure of the MSG, and continue the CBA President's authority to make appointments;**
- **Require the MSG to meet no less frequently than twice a year; and**
- **If appropriate, direct CBA staff to draft legislation to update Business and Profession Code section 5096.21(e), to grant the MSG authority similar to the CBA's other existing advisory committees.**

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar.

E. Announcement of the New Committee and Liaison Assignments.

This agenda item was a written report only.

F. Educational Presentation on the Sunset Review Process.

Mr. Bone provided a presentation on the Sunset Review Process.

G. Discussion and Possible Action to Seek an Upgrade to the Executive Officer Classification.

Ms. Pearce stated that during the November 2017 CBA meeting, the CBA discussed the Executive Officer's (EO) Annual Performance Evaluation and at the conclusion provided direction to seek a salary increase. She stated that the current EO was appointed at the maximum salary in the classification level in 2008. She stated that in order to accommodate a salary increase, an upgrade to the classification Level from H to G was necessary. This upgrade to the classification to Level G would be consistent with its current operational structure and similar to the classification level of other state agencies with an EO position.

It was moved by Mr. Campos and seconded by Mr. Silverman to direct staff to seek an upgrade to the EO classification to level G.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar

H. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

There was no report on this agenda item.

I. Department of Consumer Affairs Director's Report on Departmental Activities.

Christopher Castrillo, Deputy Director, Office of Board and Bureau Services, reported that the Quarterly Directors Meeting will be held on January 29, 2018. He stated that the Future Leadership Development (FLD) Program is in its inaugural year and mentees are paired with mentors to participate in SOLID facilitated leadership development exercises, work on special projects that

could impact DCA, and meet with executives who will share career advice. He stated that the FLD program members will be meeting with Secretary Alexis Podesta of the California Business, Consumer Services and Housing Agency and Mona Pasquil Rogers, Appointments Secretary, Office of Governor Edmund G. Brown Jr., in late February. Mr. Castrillo provided the 2018 Board Member Orientation Training (BMOT) dates. He stated that all new appointees must take the BMOT within one year of their appointment and members that are reappointed also need to take the BMOT. He stated that the Executive Officer Brown Bag Lunch will be held in February.

II. Report of the Vice-President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

There was no report on this agenda item.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

There was no report on this agenda item.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

It was moved by Ms. Berhow and seconded by Ms. Robinson to reappoint Kevin Harper, CPA as Vice-Chair to the Peer Review Oversight Committee effective until December 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar.

III. Report of the Secretary/Treasurer.

A. Discussion of the Governor's Budget.

Mr. Silverman reported that the CBA's current fiscal year (FY) budget received an augmentation primarily to accommodate increased personnel costs and it is now set at \$13,935,000. He stated that the FY 2018-19 proposed budget is

\$14,000,000 and that this is an increase of approximately one-half percent with a slight increase in personnel costs.

Mr. Silverman stated that in May the Governor will again review the proposed budget for FY 2018-19 and make any changes via line item veto in order to arrive at a final figure. He stated that the Legislature must pass the budget bill by June 15, 2018, which would give the Governor 12 days to either sign the proposed budget, or return it to the Legislature.

B. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 70 – Fees.

Ms. Pearce stated that at the November 2017 meeting, the CBA discussed its current and future Accountancy Fund level and corresponding months in reserve. She stated that the Accountancy Fund level will decrease in future years and the revenues received from the reduced fee levels are not sufficient enough to cover expenditures.

Ms. Pearce stated that to ensure the CBA has sufficient resources for unanticipated enforcement matters and litigation, to transition from its current database, and to be responsive to the Legislature who provided guidance that the CBA maintain its fund level equivalent to 24 months in reserve, the CBA directed staff to prepare regulatory language reflecting an increase of the initial license and license renewal fee to \$250.

Ms. Molina Lopez inquired on why enforcement expenditures are expected to increase.

Ms. Bowers stated that over the last three years, there has been many changes to the structure of the enforcement program and have modified procedures to more effectively handle enforcement matters which have increased the costs of enforcement expenditures.

Mr. Campos stated that the number of licensees has increased significantly and so have the complexities of licensing requirements.

It was moved by Ms. Berhow and seconded by Ms. Nicholson to approve the proposed regulatory text in CBA regulations section 70, direct staff to submit the text to the Director of DCA and the Business, Consumer Services, and Housing Agency for review, and if no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar.

IV. Report of the Executive Officer.

A. Update on Staffing.

B. Review and Approval of Proposed Changes to the California Board of Accountancy's CBA Member Guidelines and Procedures Manual.

Ms. Pearce provided an overview of the agenda item. She highlighted the substantive revisions in the Guidelines and Procedures Manual (G&P Manual).

Mr. Jacobson stated that in the Default Decision section of the proposed G&P Manual, there is a restriction of what the CBA can discuss and there is no such restriction stated in the current G&P Manual. He stated that the proposed language states "CBA Members may only ask procedural questions and must make their decision based on the evidence available" and is concerned about the wording. He suggested that staff remove this wording.

Mr. Franzella stated that while considering a default decision, the CBA must only consider the evidence of record that is provided and the language was added to the G&P Manual because it was not there. He stated that the boards questions to counsel are limited to procedural questions.

Ms. Butu suggested that staff rephrase the section to state that anything outside of the record, may not be discussed.

It was moved by Mr. Campos and seconded by Ms. Robinson to approve the changes to the G&P Manual and include a revision to the language within the section regarding Default Decisions to include language that states "anything outside of the current record cannot be discussed."

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. León, Mr. Ou-Yang, and Ms. Salazar.

C. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone stated that in November, approximately 100 individuals attended an outreach event that was held on the campus of California State University (CSU), Sacramento, where they were provided information on the requirements for CPA of licensure. He stated that the next outreach event will be held on February 27, 2018 at CSU, San Bernardino. He stated that staff are working to secure outreach opportunities for 2018.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

There was no report on this agenda item.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

1. Report of the December 8, 2017, Peer Review Oversight Committee Meeting.

Mr. De Lyser reported that the Peer Review Oversight Committee (PROC) reviewed and discussed the American Institute of Certified Public Accountants (AICPA) paper titled, *Evolving Peer Review Administration to Enhance Audit Quality*. He stated that the new administrative model establishes benchmarks for administering entities and that the PROC will discuss how to integrate these benchmarks with their oversight activities at a future meeting.

Mr. De Lyser stated that the PROC also discussed implementing a California peer reviewer population monitoring framework, reviewed a draft California peer review program flowchart, reviewed and approved updates to the PROC Procedures Manual, and discussed progress on the AICPA Peer Review Integrated Management Application.

2. Approval of the 2018 Peer Review Oversight Committee Meeting Dates.

It was moved by Mr. Campos and seconded by Ms. Berhow to approve the 2018 Peer Review Oversight Committee meeting dates.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. León.

Absent: Mr. Ou-Yang and Ms. Salazar.

3. Overview of the California Peer Review Program.

Mr. Franzella provided an overview of the California Peer Review Program.

4. Discussion and Possible Action Regarding Evaluation of the Peer Reviewer Population.

Mr. Franzella stated the CBA is being asked to approve a draft letter to the AICPA and CalCPA presenting specific data points to include in developing an initial framework to monitor the peer reviewer population. He stated that in December 2017, the PROC and staff reviewed the responses received from the AICPA and CalCPA regarding the peer reviewer population and have determined that the responses received did not provide sufficient information to effectively assess the present state of the peer reviewer population in California.

President Savoy inquired if staff has seen a decline in California's peer reviewer population.

Mr. Franzella stated that he cannot say if there has been a decline because there is no benchmark to work from. He stated that staff has spent the last year gathering information from the AICPA regarding the peer reviewer population.

Mr. Campos inquired if there is any other specialized industries other than benefit plans and single audits.

Mr. Franzella stated that those are the only two that he is aware of at this time.

It was moved by Ms. Berhow and seconded by Mr. Campos to approve the draft letter to the AICPA and CalCPA, including the minor edits to the January 18, 2018 CBA meeting date reference and to reflect the signatory as President Savoy, and to adopt a framework for the continued evaluation of the peer reviewer population.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Ou-Yang and Ms. Salazar.

5. Discussion and Possible Action Regarding Peer Review Oversight Committee Member Qualification Criteria.

Mr. Franzella stated that the PROC qualifications that exist today were the original qualifications developed by the CBA in 2008 during its initial development of key policy issues associated with establishing mandatory peer review. He stated that since the PROC has over eight years of experience in performing oversight functions it appears that ensuring the individuals appointed to the PROC maintain a strong background in auditing functions and financial statements are the primary qualifications.

He stated that staff are proposing that the following be removed from the required minimum qualifications and instead be listed as desirable qualifications:

- be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities
- be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.

He stated that the change will hopefully broaden the pool of candidates applying for the PROC.

It was moved by Ms. Berhow and seconded by Ms. Robinson to approve the proposed changes to the membership criteria for PROC members.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Ou-Yang and Ms. Salazar.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

Mr. Campos inquired if the enforcement referrals that are received from the Licensing Unit is regarding licensing or renewals.

Mr. Franzella stated that almost all of the referrals from licensing are generated from license renewals.

VII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez provided an overview of this item.

Ms. Wright inquired if the CPA Exam score timeline was changing.

Mrs. Sanchez stated that the 2018 CPA Exam score release timeline for Q2, Q3, and Q4 has been announced by NASBA and that scores will be released once at the end of each testing window due to the new software implementation (like the availability of Excel during the exam). A rolling score release (which is what we typically see) will return for Q1 2019.

VIII. Report on the Legislative Committee and the Committee on Professional Conduct.

A. Legislative Committee.

1. Report of the January 18, 2018, Legislative Committee Meeting.
2. Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role.

This item was a written report only.

3. Review and Consideration of a Possible Position on Senate Bill 795 – Accountancy: Practice Privileges.

Ms. León stated that the CBA's mobility program is scheduled to sunset at the end of 2018. She stated that when introduced in February 2017, SB 795 removed the sunset dates on the CBA's current mobility program, making it permanent. At its March 2017 meeting, the CBA took a Watch position on the bill.

She stated that following the March 2017 CBA meeting, staff worked with the sponsors of the bill to draft amendments that would address drafting errors in the bill's language. Ms. León stated that at a hearing on January 8, 2018, the Senate B&P Committee approved SB 795, but amended it to only extend the mobility program by one year. The author and sponsors of the bill stated their desire to make the program permanent, provided that the Senate B&P committee staff are comfortable with the findings of the CBA's Mobility Report.

Ms. Berhow inquired if the author of this bill would be willing to make requested amendments to the bill.

Mr. Fox stated that the author would be willing to make the requested amendments and the one year extension from the Senate B&P Committee hearing was to allow more time to review the CBA's Mobility Report and for the CBA to officially weigh in on the matter.

Ms. Oñate-Quintana stated that the bill is poised to move from the Senate floor in the next few weeks. She stated that this was a two-year bill and the bill was fast tracked in the first year. She stated that the bill will now move to the Assembly and that there is time incorporate amendments to the bill.

The LC recommended that the CBA take a Support, if Amended position on Senate Bill 795 and direct staff to request the following amendment in the position letter:

- **On page 22, line 20, remove the operative date language in Business and Professions Code section 5096.8, and**
- **Remove the Sunset dates to make the program permanent.**

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Ou-Yang.

4. California Board of Accountancy 2017/18 Legislative Tracking Chart.

This item was a written report only.

5. Update on Previously Approved Legislative Proposals Deleting Outdated Language for Attest Services Requirements, Certified Copies of Records of the Disciplinary or Other Actions Taken Against a Licensee as Conclusive

Evidence for Purposes of Determining Discipline, and Updating Terminology Regarding Application Forms.

Ms. León stated that every year, the Senate B&P Committee requests that all DCA boards submit legislative proposals for possible inclusion in its annual omnibus bill. She stated that the Senate B&P Committee will inform CBA staff whether the CBA's proposal will be included in the omnibus bill.

6. Legislative Items for Future Meeting. The Legislative Committee may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

There was no report for this agenda item.

B. Committee on Professional Conduct.

1. Report of the January 18, 2018, Committee on Professional Conduct Meeting.
2. Discussion Regarding the National Association of State Boards of Accountancy Release of the Final Version of the Model Rules for Continuing Professional Education, Article Three and Possible Changes to Title 16, California Code of Regulations, Sections 80-94, Continuing Education Rules.

Ms. Robinson stated that the purpose of this agenda item was to provide the CBA the opportunity to discuss the final version of NASBA's Model Rules for Continuing Professional Education (NASBA Rules). She stated that relevant changes were made to the following four sections of the NASBA Rules: Technical Fields of Study, Non-technical Fields of Study, Continuing Education (CE) Requirements for Renewal of the License, and CE Records.

Ms. Robinson stated that in the Technical Fields of Study section, staff identified subject areas that contribute to the competence of a CPA that directly relates to the CPA's field of business. The new areas that are presently not listed in the CBA Regulations are: Business Law, Economics, Management Services, and Statistics. She stated that the CPC supports further defining ethics into two categories: Regulatory Ethics, which is considered technical and Behavioral Ethics, which is considered non-technical.

Mr. Jacobson stated that he does not believe there is a need for these changes.

Ms. Wright stated that inclusion of these additional fields of study as acceptable technical subject matter would help CPAs that are students. She stated that students that are continuing with a degree program who are required to take various courses in business and economics and other courses would now be able to use the courses towards technical CE.

The CPC recommended that the CBA direct staff to prepare regulatory language that incorporates business law, economics, management services, and statistics of the Technical Fields of Study. Additionally, the CPC recommended that the CBA directed staff to bring back additional research regarding ethics as it relates to what is presently accepted and how the proposal would impact the regulations.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: Mr. Jacobson.

Abstain: None.

Absent: Mr. Ou-Yang.

Ms. Robinson stated that the second section, Non-technical Fields of Study, identifies subject areas that contribute to the competence of a CPA in areas that indirectly relate to the CPA's field of business. She stated that the NASBA Rules identify additional areas that are not presently listed in CBA Regulations, including behavioral ethics, personal development, and production. She stated that the CPC took no action on this section.

Ms. Robinson stated that third section related to CE requirements for renewal, has been expanded to include that new licensees must complete at least 40 hours of CE during the first full annual period following the year in which the license was obtained. She stated that CBA Regulations requires a new licensee to complete a minimum of 20 hours of CE at renewal for each full six-month period from the date the initial license was issued. She stated that the CPC took no action on this section.

Ms. Robinson stated that the fourth section, related to CE Records, specifies that the maximum credit allowed for technical review of CE programs and writing published articles, books and other publications cannot exceed 50 percent of the total CE hours required in a renewal period. She stated that the CBA Regulations state that the maximum credit allowed shall not exceed 25 percent of the total CE hours required in a renewal period.

Ms. Wright requested staff to include direction on how a CPA can calculate the CE hours earned from writing published articles and other publications.

The CPC recommended that the CBA direct staff to prepare regulatory language that states the maximum credit allowed for technical review of CE programs and writing published articles, shall not exceed 50 percent of the total CE hours required in a renewal period.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Mr. Jacobson, Ms. León, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: Ms. Hinds, Ms. Molina Lopez, and Ms. Nicholson.

Abstain: None.

Absent: Mr. Ou-Yang.

IX. Meeting Minutes.

- A. Adoption of the Minutes of the November 16, 2017, California Board of Accountancy Meeting.
- B. Acceptance of the Minutes of the November 16, 2017, Legislative Committee Meeting.
- C. Acceptance of the Minutes of the November 16, 2017, Committee on Professional Conduct Meeting.
- D. Acceptance of the Minutes of the May 5, 2017, Peer Review Oversight Committee Meeting.

It was moved by Mr. Campos and seconded by Ms. Berhow to approve agenda items IX.A. – IX.D.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Ou-Yang.

X. Other Business.

- A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

1. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

There was no report on this agenda item.

2. Discussion and Possible Ratification of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions Regarding Continuing Professional Education of the Accounting Profession in California.

Ms. Reed reported that the purpose of this agenda item was to provide the CBA with staff responses to the NASBA Focus Questions.

Mr. Campos requested that staff provide clarification to NASBA on question 1(c) of the focus questions, which is in regards to credit for participating in a technical committee.

3. Report on Committee Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member.

- a. Enforcement Resources Committee.

There was no report on this agenda item.

- b. Computer Based Testing Administration Committee.

There was no report on this agenda item.

- c. Continuing Professional Education Committee.

There was no report on this agenda item.

President Savoy announced that Katrina Salazar was selected by NASBA to serve as the Pacific Regional Director.

XI. Closing Business.

A. Public Comments.

There were no public comments.

B. Agenda Items for Future California Board of Accountancy Meetings.

There were no suggested items for a future meeting.

XII. Closed Session.

Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Proposed Decisions, and Decision After Non-Adoption).

- XIII. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet in Closed Session to Receive Advice From Legal Counsel on Litigation (*David Greenberg v. California Board of Accountancy*, Los Angeles County Superior Court, Case No. BS155045).

Adjournment.

President Savoy adjourned the meeting at 4:54 p.m. on Thursday, January 18, 2018.

Michael M. Savoy, CPA, President

Mark J. Silverman, Esq., Secretary/
Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.